



CITIZEN'S REVENUE MEASURE OVERSIGHT COMMITTEE

**PROPOSED OPERATING &
CAPITAL BUDGET FY2020-21**

MEASURE G – DISTRICT SALES TAX

Jovan D. Grogan, City Manager
Keith DeMartini, Finance Director

June 15, 2020

Agenda



- I. Welcome & Introductions
 - I. City Manager
 - II. Finance Director
 - III. Committee Members
- II. Measure G District Sales Tax Overview
- III. Committee Bylaws Overview
- IV. Budget Development Process
- V. Fiscal Context
- VI. FY2020-21 Proposed General Fund Budget & Deficit Reduction Strategies
- VII. Measure G Proposed Allocations for FY2020-21
- VIII. Select Committee Chair & Vice-Chair
- IX. Next Steps, Questions & Discussion

Objectives



- ❖ Receive the City Manager's Proposed Operating and Capital Budget for Fiscal Year 2020-21
- ❖ Proposed Allocation for Measure G Funds
- ❖ Discuss Pressures and Challenges Facing the City's General Fund
- ❖ Discuss Proposed Deficit Reduction Strategies
- ❖ Ask questions!



I. Welcome and Introductions

City Manager Introduction



- Jovan D. Grogan
- Served as SB City Manager since July 2018
- Relevant Prior Experience
 - Deputy City Manager, City of Berkeley, CA
 - Deputy City Manager, City of Concord, CA
 - Budget Officer, City of Concord, CA
 - Senior Management Consultant, Management Partners
- Education
 - Master of Regional Planning, Cornell University
 - Bachelor of Science – Urban & Regional Studies, Cornell University

Finance Director Introduction



- Keith DeMartini
- Served as SB Finance Director since August 2018
- Relevant Prior Experience
 - Financial Systems Director, San Francisco Controller's Office
 - Budget Manager, San Francisco Public Works
 - Finance & IT Manager, San Francisco Planning Department
 - Project Manager, San Francisco Controller's Office
- Education
 - Master of Public Administration, SF State
 - Bachelor of Science – Business Administration/Financial Management, Cal Poly San Luis Obispo

Committee Member Introduction



Member	Term
Vaughn Gregory	4 years
John Seevers	4 years
Frank Hedley	2 years
Anthony Clifford	2 years
John Marty	2 years

- Sample Intro Questions
 - What you love most about San Bruno?
 - Interest in serving on the Measure G Committee?
 - Have you served on prior City boards or commissions?



II. Measure G District Sales Tax Overview

Community Priorities Survey



In March of 2019, the City commissioned Godbe Research to conduct a survey of local voters with the following research objectives

- Gauge satisfaction with the City's provision of services and effective management of public funds;
- Assess perceptions about problems facing the City;
- Assess potential viability of a potential local funding measure to maintain essential City services and facilities with funding that cannot be taken by the State; and
- Identify respondent priorities.

Community Needs & Priorities



In the community survey, residents identified the following service priorities:

- Increasing pothole and other street hazard repair
- Increasing ongoing street maintenance programs
- Maintaining neighborhood police patrols
- Attracting and maintaining local businesses
- Maintaining city parks and playgrounds
- Maintaining and repairing park structures for children and youth

City Attorney Impartial Analysis



The revenue raised from the tax would go into the City's general fund and may be used for any municipal governmental purpose, such as:

- pothole/street repair,
- neighborhood police patrols,
- fire prevention services,
- urban wildfire protection,
- crime suppression/investigation,
- increasing parking supply,
- upgrading parks and other City facilities,
- expanding services to support local businesses, and
- other governmental functions and services

Ballot Question



San Bruno Street Repair/Local City Services Measure:
Shall the City of San Bruno's measure to fund city services/ facilities such as neighborhood police patrols, fire prevention services, urban wildfire protection, crime suppression/investigation; pothole/street repair; increasing parking supply; upgrading parks/other city services/facilities; expanding services supporting local businesses; by levying a ½¢ sales tax, providing approximately \$4,000,000 annually, until ended by voters, with independent citizens' oversight, no money for Sacramento, all funds spent locally, be adopted?



III. Committee Bylaws Overview

Committee Authority & Role



- Provide feedback to staff and the City Council regarding staff's recommended allocation of tax funds; and
- Review an audited, annual report of revenues collected and how they were spent.
- 1 required meeting per year with potentially additional meetings during the budget process

Committee Bylaws



- Name: “Citizen's Revenue Measure Oversight Committee”
- Eligibility
 - San Bruno resident
 - 18 years or older, with an option of 1 youth representative
 - Cannot serve concurrent term on another Board, Commission or Committee
 - Current City employees cannot serve
- Serve 4-year term, initially staggered
 - Youth member to serve 2-year term



IV. Budget Development Process

Organizational Mission, Vision & Values



Mission Statement

The City of San Bruno exists to provide exemplary services for our community that enhance and protect the quality of life.

Vision for the Future

San Bruno will be the Peninsula City of choice in which to live, learn, work, shop and play.

Values

The City of San Bruno values:

- ❖ Integrity;
- ❖ Protecting, guarding and shepherding public resources and interests;
- ❖ Teamwork;
- ❖ Exemplary service to the community;
- ❖ Competent, well-trained employees;
- ❖ Friendliness; and
- ❖ Commitment to the community.

City Council Priority Focus Areas

(not in any order of preference)



- ❖ Implement Transit Corridor Vision to Revitalize Downtown and Commercial Corridor
- ❖ Assure Rehabilitation & Replacement of Critical Community Facilities and Infrastructure
- ❖ Grow City Revenues to Assure On-Going Fiscal Stability and Economic Vitality
- ❖ Continue to Strengthen Community Connections and Engagement
- ❖ Protect and Improve Community Aesthetics and Safety
- ❖ Continue Proactive Planning for the Future of San Bruno
- ❖ Organizational Health and Employee Success

Budgetary Process and Administration



- Each May the City Manager submits to the City Council a proposed operating and capital budget for the following fiscal year
- Public meetings are conducted to obtain public comments
- Budgets are adopted by City Council in June, and the new budget takes effect on July 1st
- Expenditures may not legally exceed budgeted appropriations
- Quarterly and Mid-year reviews of an adopted budget are conducted annually

High-level Budget / Prior Setting Calendar



Date	Item
January 21	City Manager's Budget Instructions Provided to Departments
February 22	City Council Annual Retreat
April 21	Budget priorities, performance goals and strategic initiatives to City Council
April 24	Draft FY2020-21 department and CIP budget – Review with City Manager & Finance
May 8	City Council Discussion of Priority Focus Areas and Review of Prior Year Strategic Initiatives
May 21	City Manager's Recommended Budget to City Council

City Council Budget Deliberation Dates



Date	Description	Meeting Start Time
May 26	Study Session: Presentation of Proposed Budget	7:00pm
May 27	Study Session: Budget Retreat <ul style="list-style-type: none">• <i>Departmental Budget Presentations</i>• <i>Review of Enterprise, Internal Service Funds and Other Special Funds</i>	10:00am
June 4	Study Session: City Council Strategic Initiatives	6:00pm
June 11	Study Session: Enterprise and Internal Service Funds and Departments & Capital Improvement Program <ul style="list-style-type: none">• <i>Discuss Projects and Unfunded Needs for Streets, Water, Sewer, Storm Water, & General Facilities</i>• <i>Questions and Discussion</i>	2:00pm

City Council Budget Deliberation Dates



Date	Description	Meeting Start Time
June 15	Citizen's Revenue Measure Oversight Committee <ul style="list-style-type: none">• Committee & Bylaws Overview• Receive FY2020-21 Proposal to Allocation Measure G Funds• Answer Questions• Provide Feedback to Staff and the City Council regarding allocating Measure G Funds in FY2020-21	5:00pm
June 18	Citizen's Revenue Measure Oversight Committee (if necessary) <ul style="list-style-type: none">• Answer Questions• Provide Feedback to Staff and the City Council regarding allocating Measure G Funds in FY2020-21	3:00pm
June 23	Budget Hearing: 2nd Budget Hearing & Adoption	7:00pm



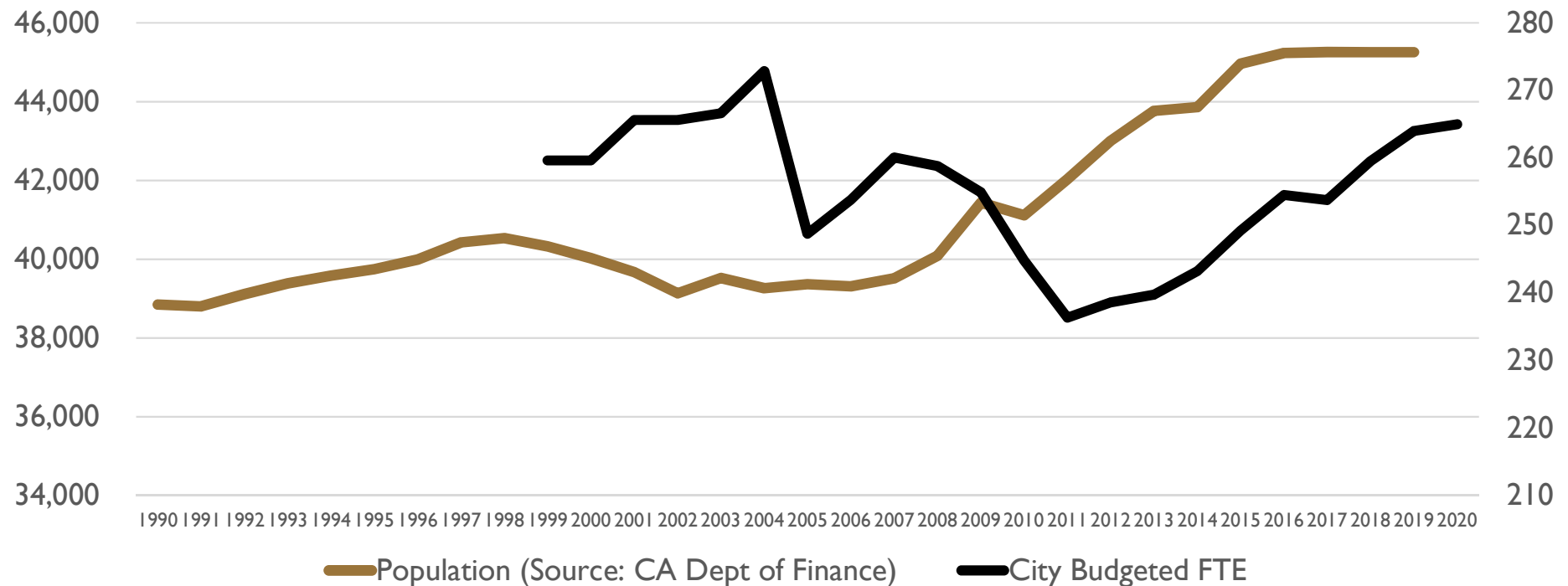
V. Fiscal Context

Population & City Staffing



- San Bruno's population growth has exceeded City staffing levels

San Bruno Population compared to
City Budget Full-Time Equivalent (FTE) Count
Population Growth from 1999 to 2020 (12.2%)
City Budgeted FTE Growth from 1999 to 2020 (2.1%)



Top Sales Tax Generators



- Top 25 sales tax generators in San Bruno *(alphabetical order)*
- Recent Trends
 - Reduced activity in Q4 related to shelter-in-place orders
 - No Sears activity in last quarter of FY2019-20 and all of FY2020-21
 - Slow ramp up of sales tax activity throughout FY2020-19
 - Average yearly sales tax projected reduction of 18% in FY2020-21

76
Best Buy
BJ's Restaurant & Bar
Chevron
Crestmoor Auto Center
CVS Pharmacy
Fair - Uber Car Rental
Honda Lease Trust
Jack's Restaurant & Bar
JC Penny
Kwik Serv
Lowes
Lucky
Marshalls
Melody Toyota
RMC Motorcars
S&L Gem Company
San Bruno Gas
Sears
Shell Station
Shoe Palace
Tanforan Shell
Target
Valero
Victory Honda

FY2020-21 Revenue Shortfalls



Projected General Fund Deficit (\$8.2M)

Deficit Represents 15% of Proposed Expenditures

Impacts of COVID-19 Recession

- ❖ 40% drop in Hotel Tax (TOT) Revenue
- ❖ 18% drop in Sales Tax Revenue
- ❖ 28% drop in new District “Measure G” Sales Tax Revenue
- ❖ 52% drop in Recreation revenues
- ❖ 28% drop in Senior Center revenues

Fiscal Condition Summary

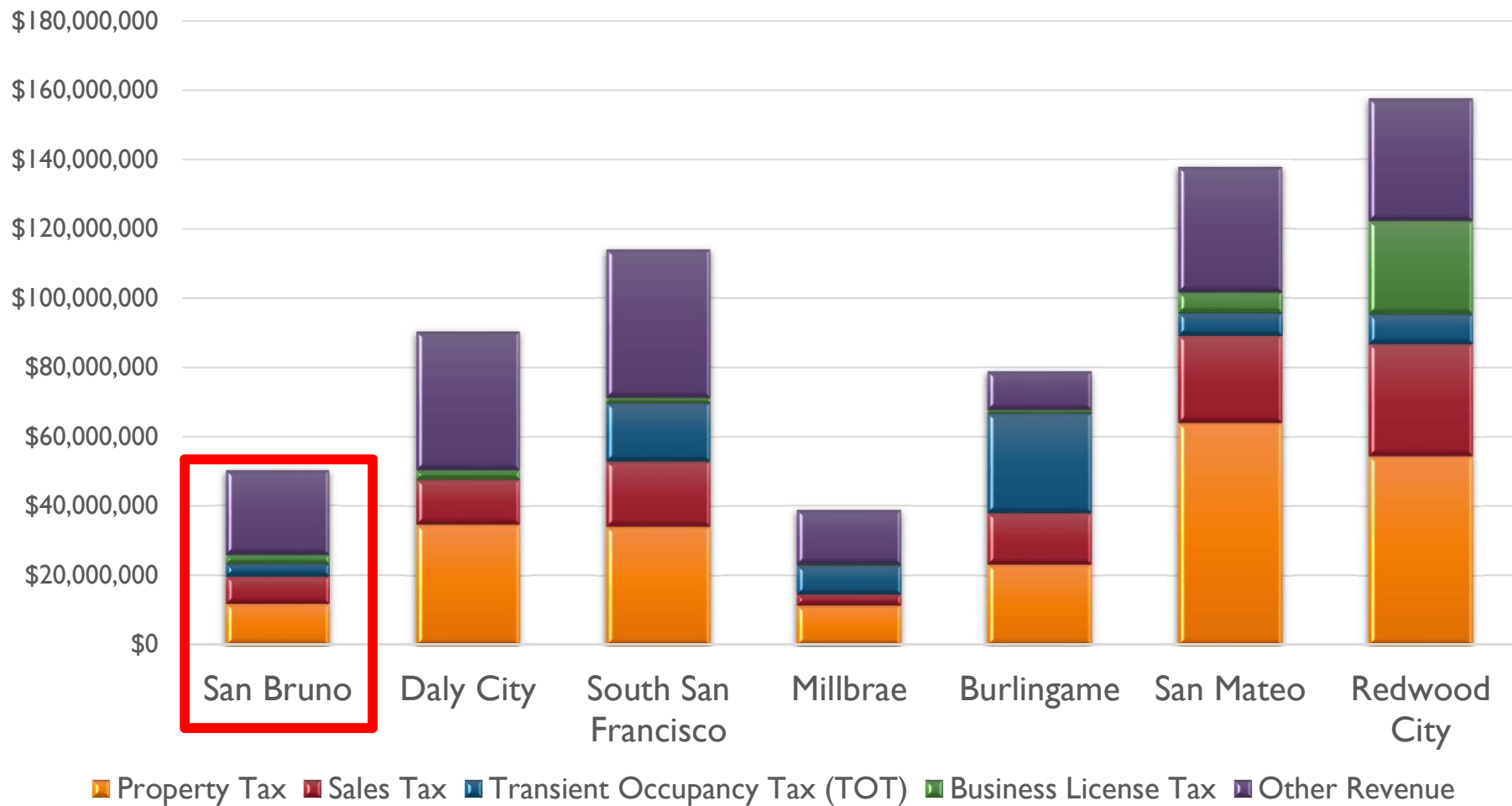


- ❖ **General Fund** – Significant projected deficit and progress needed to achieve fiscal sustainability.
- ❖ **Stormwater** – Prolonged deficits projected without additional support from the General Fund or additional parcel fees.
- ❖ **Vehicle, Equipment, Technology Replace Funds** – Insufficient annual set asides and reserves to meet replace needs without support from the General Fund.
- ❖ **Self-Insurance Fund** – Enhanced reserves needed.
- ❖ **Facilities & Building Reserve Fund** – Significant unmet needs. Insufficient annual set asides and reserves to meet replace needs without support from the General Fund.
- ❖ **CityNet Services** – Substantial progress this year, but long-term viability contingent of Fiber-to-the-Home project. Owes General Fund \$14M.
- ❖ **General Fund Reserve** – Limited available cash.
- ❖ **Water Fund** – Stable and sustainable.
- ❖ **Wastewater Fund** – Stable and sustainable.
- ❖ **Measure G** – New voter approved sale tax measure to provide \$4M annually pre-COVID-19 (\$2.9M projected in FY20-21).

General Fund Budget Comparison



Fiscal Year 2019-20

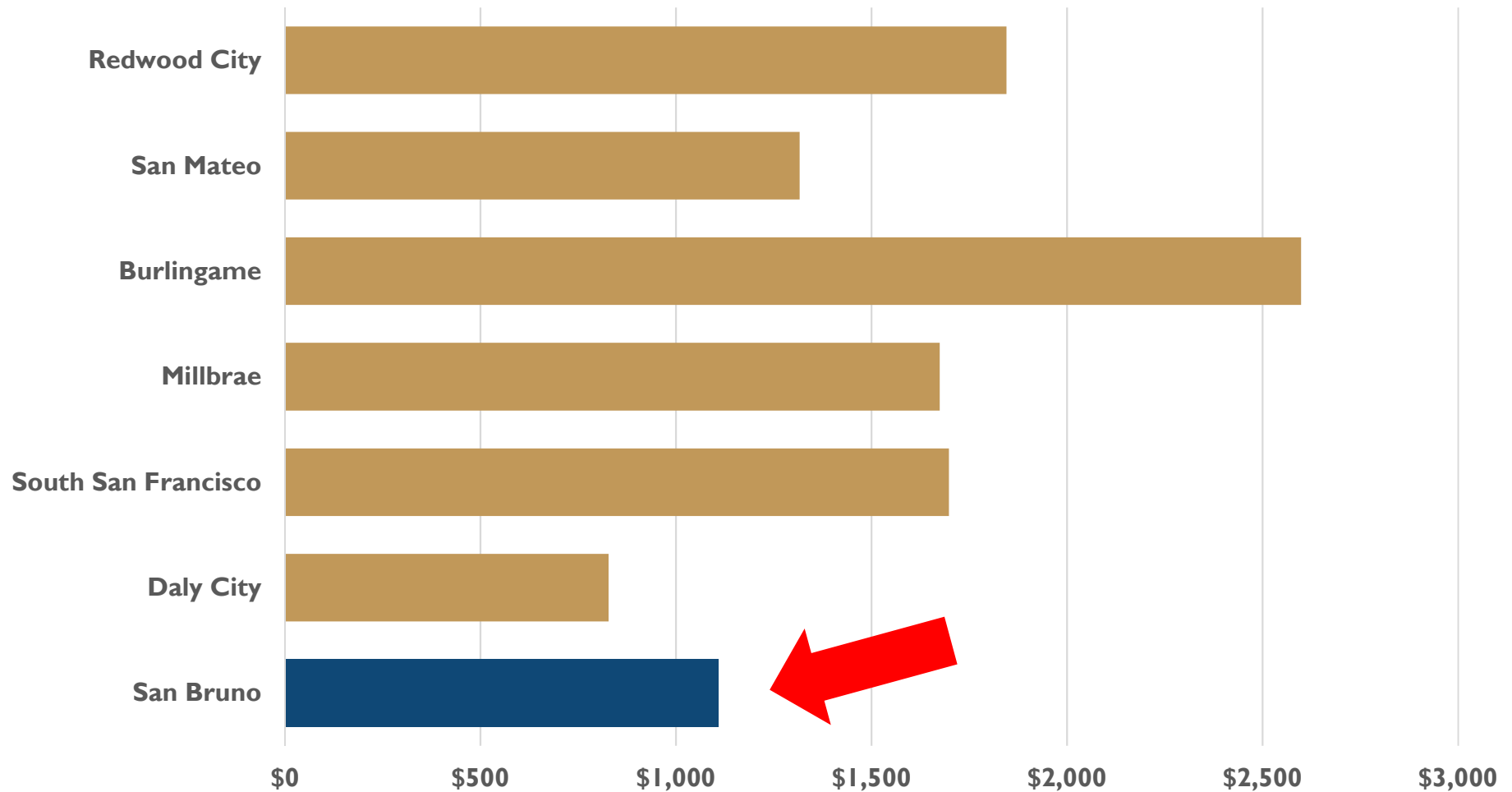


Source: City Adopted Budgets, FY2019-20

General Fund Budget Revenue per Capita



Fiscal Year 2019-20



Source: City Adopted Budgets, FY2019-20

No easy decisions...



Difficult Options to resolve this year's fiscal challenge

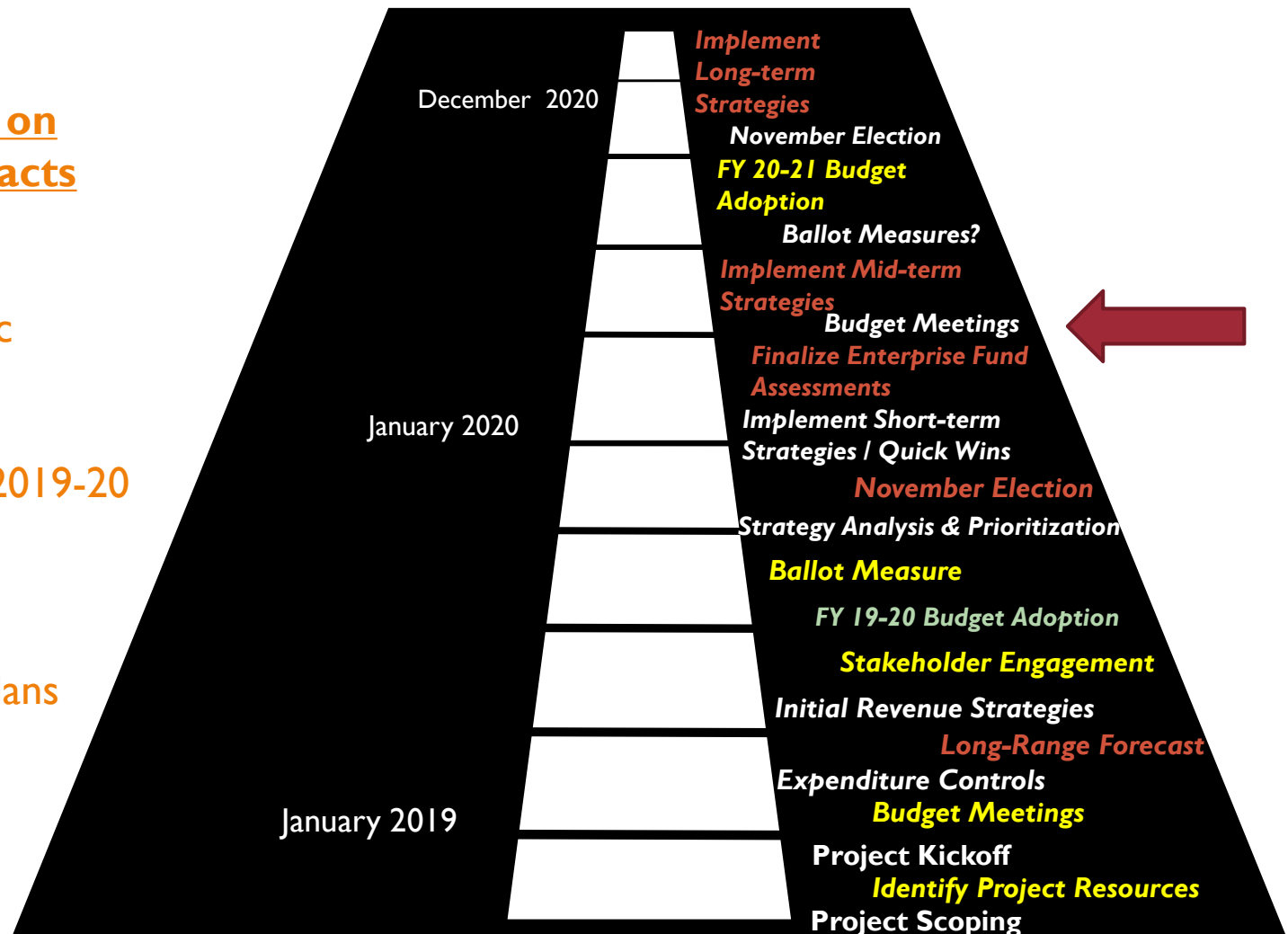
- ❑ Defunding capital projects
- ❑ Service reductions
- ❑ Use of limited reserves
- ❑ Reducing set asides for future equipment replacements
- ❑ Freezing 13 vacant (police, fire and non-sworn administrative/operating positions)
- ❑ Personnel reductions
- ❑ Use of Measure G and delaying some road improvements to avoid further service/personnel reductions
- ❑ Postponing progress on needed enhancements and unmet needs

Comprehensive Fiscal Sustainability Project



Amend Based on COVID-19 Impacts

- Analyze Current & Projected Economic Conditions
- Adjust Current FY2019-20 Budget
- Revise Budget Assumptions and Plans for FY2020-21



Fiscal Sustainability



❖ Core component of Fiscal Sustainability is revenue growth

- ❑ Not to be confused with increased taxes
- ❑ Economic development is critical

Implementation of the Transit Corridors Plan & Economic Development

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Growing Our Revenue Base

Economic Growth Potential: Residential, Retail, Office



Skyline Residential



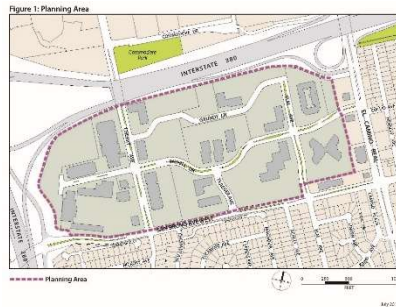
Glenview Terrace



Tanforan & Sears



Bayhill Specific Plan



Mills Park Plaza



1000 San Mateo Ave



111 San Bruno Ave



271 El Camino Real



Economic Development @ Our Border



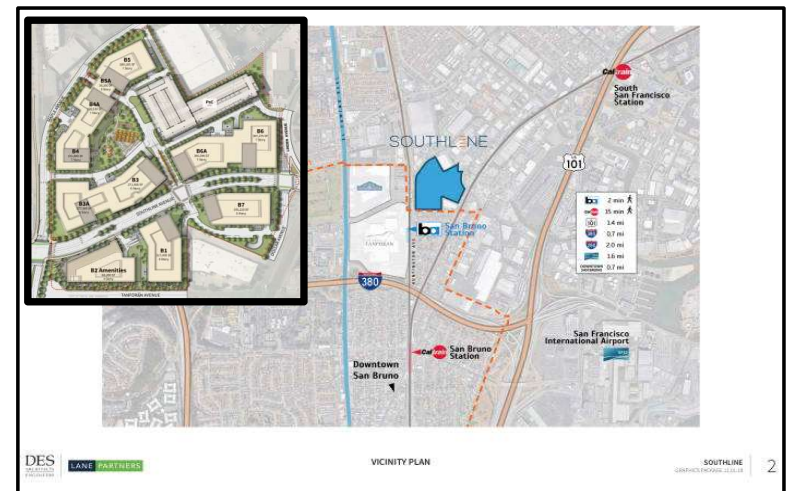
South SF: 180 El Camino Real – Safeway Shopping Center



South SF: 410 Noor Avenue – Mixed Use



South SF: Southline Office Park



Millbrae: 1100 El Camino Real – El Rancho Inn





VI. FY2020-21 Proposed General Fund Budget & Deficit Reduction Strategies

FY2020-21 Budget Overview



**\$180M All
Fund Budget**

**\$49M
General Fund
Budget**

**265 FTE
Positions**

**102 Capital
Improvement
Projects**

Budget Challenges



- Existing Operational Deficit
 - Reduced General Fund taxes and departmental revenues related to economic contraction from COVID-19
- Significant backlog of deferred capital maintenance projects
 - \$6 million annual deficit in the City's road repair program
- Rising Personnel Benefit costs (Health insurance and pension costs)
- Expiring Collected Bargaining Agreements
- City Net Services Enterprise Fund Deficit
- Stormwater Enterprise Fund Challenges
- Needed Personnel Investment
- IT System Maintenance and Investments
- Equipment and Vehicle funding
- Pressure on Fund Balances and Reserves

Projected FY2020-21 Deficit Summary



General Fund	FY2020-21 Projected Deficit (Millions)
Revenues	\$45.2
Expenditures	53.4
Surplus / (Deficit)	(\$8.2)

- ▲ Strategies to address both revenues and expenditures
- ▲ Additional strategies to ensure adequate fund balance



FY2020-21 Revenue Shortfalls

Impacts of COVID-19 Recession

- ❖ 40% Drop in Hotel Tax (TOT) Revenue
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- ❖ 52% drop in Recreation revenues
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FY2020-21 Expenditure Changes



\$4M personnel cost increases + operating cost increases

- ❖ 75% of General Fund budget goes to personnel
- ❖ \$900K PERS pension cost increases
 - Normal bi-weekly cost
 - Annual portion of unfunded liability
- ❖ Health benefit costs
- ❖ Minor increases for supplies and contracts

Budget Balancing Plan - Summary



Proposed Budget Balancing Strategies	FY2020-21 Proposed Reductions
CIP Project De-Funding, Alternative Funding or Scope Change	\$1,569,900
Delay filling 13 vacant positions in multiple departments	1,765,160
Personnel reduction of 1 Senior Code Enforcement Officer	158,130
Operating Expense Reductions	107,900
Eliminate Annual Equipment Reserve Allocation	340,600
Additional fund balance – transfer in from other funds	400,000
Utilize Measure G District Sales Tax Funds	2,000,000
Utilize General Fund Reserve	587,910
Utilize Available Fund Balance in the General Fund	500,000
Personnel Cost Reductions (various measures, subject to bargaining)	1,701,500
Total	\$9,131,100

Budget Balancing Strategies



Initial FY2020-21 budget proposal estimated a **\$8.2 Million deficit**. Staff reviewed the following budget balancing strategies:

- Identify service level reductions
- Reduce the scope and/or defer capital investments
- Allow voluntary and/or mandatory time-off
- Citywide vacant position review
- Identify “shared” staff resources
- Reduce or delay equipment and vehicle purchases
- Utilize General Fund & Emergency Disaster Reserves to balance budget
- Reduce equipment reserve fund allocations
- Utilize Measure G District Sales Tax revenue
- Reopen discussions with employee bargaining groups
- Temporarily suspend Employee Home Loan Program
- Library Closure
- Brownouts – Fire Stations

Budget Balancing Plan – CIP Projects



Budget Balancing Strategy	FY2020-21 Proposed Budget Reductions
Identify alternative funding for the Streetlight Pole Replacement Program	\$200,000
Identify alternative funding for the Police Dispatch and Records Ergonomic Update Project	72,000
Defund the Senior Center Parking Lot Improvements Project and research alternative funding sources	93,855
Defund the Crestmoor Canyon Slope Stability Project as the previously planned work was recently completed	274,821
Reduce the scope of the Florida Avenue Park project	900,000
Delay the stormwater trash capture device project	29,228
Total	\$1,569,904

Budget Balancing Plan – Position Actions



Department	# of Positions	Action	Position(s)
Police	7	Vacancy	4 Police Officers, 1 Police Clerk, 1 Dispatcher, 1 Community Service Officer
Fire	2	Vacancy	2 Fire Fighters
Public Works	1	Vacancy	Associate/Assistant Civil Engineer
Community & Economic Development	2	Vacancy	1 Limited Term Assistant Planner, 1 Limited Term Community Development Technician
CityNet Services	1	Vacancy	CATV Technician 1
Police	1	Reduction	Senior Code Enforcement Officer
Total	14		

Budget Balancing Plan – Operating Expenses



Department	Operating Expenses	FY2020-21 Proposed Budget Reductions
Police	Reduced background investigations, breach kits for patrol cards, emergency equipment, investigative services, training and uniforms	\$80,900
Fire	Reduced communications, fuel and oil, maintenance and software	27,000
	Total	\$107,900

Budget Balancing Plan – Fund Transfers



Department	Funds Transfer	FY2020-21 Proposed Budget Reductions
Police	Equitable Sharing Funds for Drug Enforcement Agency (DEA) Airport staffing	\$200,000
Police	Utilize available Citizens Option for Public Safety (COPS) funding	100,000
Public Works	Utilize Gas Tax for Streets operating repairs	100,000
General Fund	Utilize Measure G District Sales Tax Funds	2,000,000
Departments	Utilize General Fund Reserve	587,910
	Total	\$2,987,910

Service Reductions



- Reduced Community Services Program
 - No aquatics program
 - No after school program
 - Reduced Recreation activities
 - Reduced Senior Center activities
 - No events with large gatherings (i.e. Community Day)
- No new Police or other vehicle requests
- Multiple departmental operating reductions to balance the budget

General Fund Summary

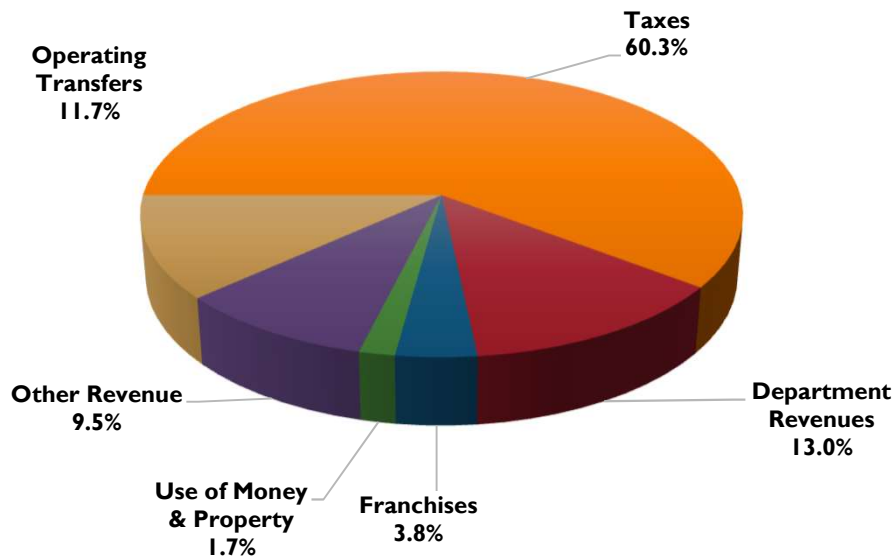


	FY2019-20 Adopted Budget	FY2019-20 Estimated Actual	FY2020-21 Proposed Budget
Beginning Fund Balance	\$2,798,305	\$2,798,305	\$1,547,510
Total Operating Revenues	50,111,247	47,522,730	48,805,458
Total Operating Expenditures	(50,436,351)	(48,773,525)	(49,352,968)
Surplus / (Deficit)	(325,103)	(1,250,795)	(547,510)
Ending Fund Balance	\$2,473,202	\$1,547,510	\$1,000,000

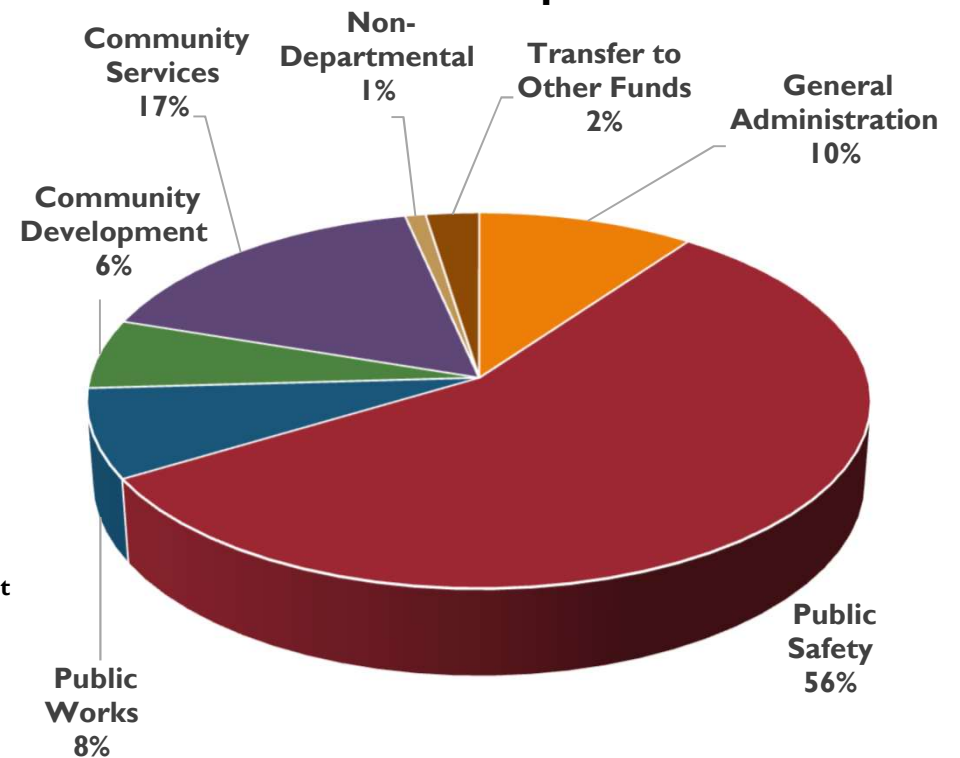
General Fund Summary



General Fund Revenues



General Fund Expenditures



General Fund Reserves



Reserve Type	Reserve Policy Target	FY2019-20 Estimated Ending Balance	FY2020-21 Budget Ending Balance
General Fund	\$1,500,000	\$1,547,510	\$1,000,000
General Fund Reserve	25% of annual, budget expenditures	12,613,134	12,022,285
General Fund Capital Reserve	Goal of \$5,000,000	5,102,456	4,921,902
Emergency Disaster Fund	Target of \$3,000,000	1,993,107	2,023,107
Total		\$21,256,206	\$19,967,293

Reserves – Cash Balances



Reserve Type	FY2020-21 Budget Ending Balance
Total General Fund Reserves	\$19,967,293
City Net Services - Enterprise Fund Deficit	(13,642,816)
General Fund Reserves – Cash Balance	\$6,324,477
Equipment Reserve	3,438,160
One-Time Revenue	0
Total Reserves – Cash Balance	\$9,762,637

The Good News, The Bad News & The Challenges Ahead...



Good News

- Measure G
- Sufficient deficit reduction strategies identified
- Fiscal sustainability effort already started
- Development pipeline

Bad News

- Declining fund balances
- Many unfunded priorities
- City Net Services Deficit
- Stormwater Deficit

Challenges

- Union contracts to be negotiated
- Rising pension costs
- Sluggish economy from COVID-19 with reduced tax and other revenues



VII. Measure G Proposed Allocations for FY2020-21



Measure G District Sales Tax

- Half cent sales tax district measure (9.75%)
- Effective April 1, 2020
- Citizen's Revenue Measure Oversight Committee
- Initially projected @ \$4 Million annually
 - FY2019-20: partial collection April-June, \$1 Million projected, **not budgeted**
 - Significant reduction in retail activity due to Shelter In Place Order
- **FY2019-20 Revised Projection: \$150,000** (down \$850,000)
- **FY2020-21 Projection - \$2.9M**

Measure G – Proposed Uses in FY2020-21



Item	FY2020-21 Proposed Budget
General Fund Transfer to Avoid Further Cuts to Fund Police, Fire and Park Maintenance	\$2,000,000
Street Sign Replacement Program	150,000
Parks Manager Enhancement Request (<i>cost increase from position reclassification</i>)	44,000
Police Facility HVAC Replacement & Roof Repair	205,000
Street Light Pole Replacement Program	200,000
Total	\$2,599,000
<i>Projected Ending Fund Balance FY2020-21</i>	<i>\$462,017</i>



Transfer to the General Fund

- Global pandemic and economic recession caused significant shortfall in proposed FY2020-21 budget
- Limited availability of City reserves to address the \$8.2 Million deficit
- \$2 Million Measure G allocation is essential to avoid further public safety service and park and open space maintenance

Street Sign Replacement Program



- 4,921 street signs throughout the City
- No current, dedicated funding source to maintain and replace signs
- Many signs are in need of repair
- \$150,000 allocation proposed in FY2020-21
- Up to 750 signs would be repaired or replaced



Parks Manager



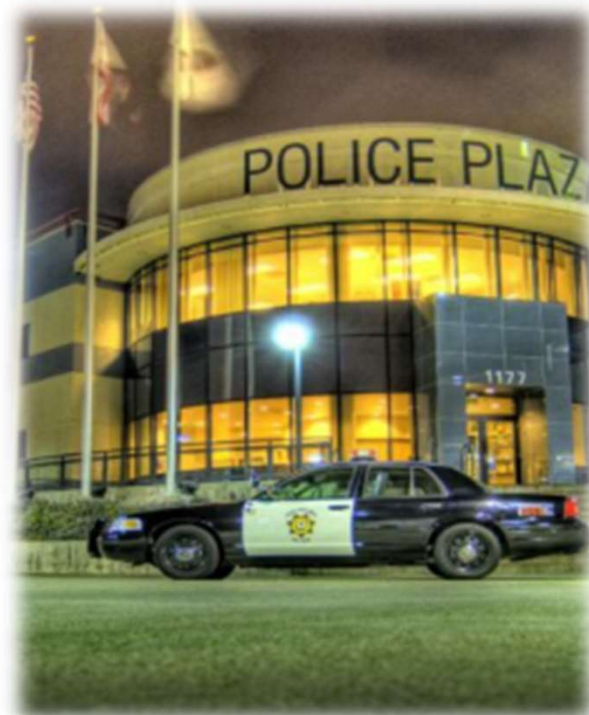
- Parks Department responsibilities
 - 18 parks
 - 7.95 miles of linear medians
 - 298 acres of open space
 - Fire mitigation efforts
 - 7,000 street trees
- Active capital projects
 - Recreation & Aquatic Center and Florida Avenue Park
- Focus on long-term maintenance, project management and strategic planning



Police Facility Maintenance



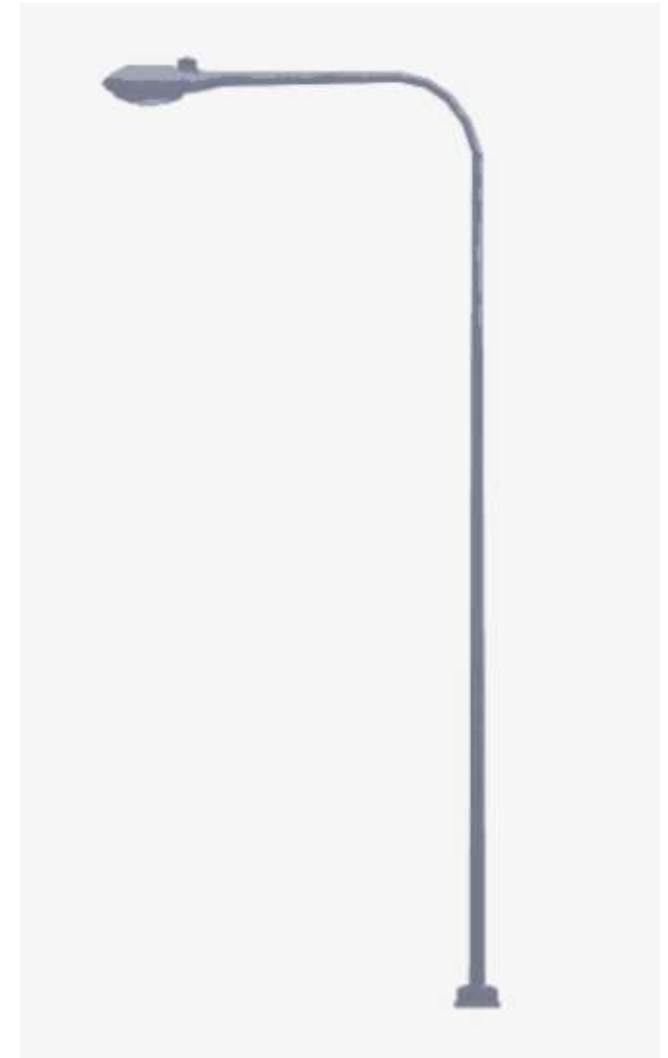
- Continuous HVAC and roof maintenance issues
- Measure G funds will provide adequate funds to repair both and extend the useful life



Streetlight Pole Replacement



- 2,100 streetlight poles owned and operated by the City
- Many poles are 60-80 years old, well beyond their useful life
- 2015 study – 32% were deficient
- Measure G funding would replace 30-40 poles in FY2020-21





VIII. Committee Chair & Vice-Chair

Committee Chair & Vice-Chair



- Per the bylaws:
 - A **committee chair** is to be appointed to run the meetings
 - A **committee vice-chair** is to be appointed to preside in the absence of the chair
- **Staff Liaison** – Keith DeMartini, Finance Director
- **Staff Support** – Esther Garibay-Fernandes, Revenue Services Manager

Committee Chair & Vice-Chair



Elect Chair & Vice Chair before proceeding.



IX. Next Steps

Next Steps & Committee Feedback



- ❖ Discussion & Questions
- ❖ Confirm additional meeting on June 18th, if necessary
- ❖ Provide feedback to staff and the City Council regarding the proposed allocation of Measure G funds in the FY2020-21 budget
- ❖ Review FY2019-20 audit report on January 13, 2021

Questions and Discussion





THE END